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JAMES L. BRULTE
SENATE REPUBLICAN LEADER
SENATOR, THIRTY-FIRST DISTRICT

June 22, 2001

Honorable Gray Davis
Governor of California
State Capitol
Sacramento, CA 95814

Dear Governor:

As you know, legislative Republicans have been vocal about our desire to enact an on-time budget that is balanced, contains no tax increases, and has a three billion dollar surplus. To ensure that we were able to achieve these objectives, we outlined our priorities for the 2001-02 state budget in a series of press conferences and have made our positions clear on the budget throughout the year.

Specifically, we have emphasized our strong opposition to both an increase in the sales tax and the proposal to shift \$2.4 billion away from transportation projects over the next two years. We have also asked that \$363 million of the Proposition 98 over-funding be dedicated to equalization. Finally, we have emphasized that fiscal integrity dictates that we eliminate the abundance of vacant positions in state government and capture the savings from them.

We applaud your willingness to compromise in order to close on the budget, as evidenced by recent accounts of your intention to increase the reserve to \$2.5 - \$3 billion. In this spirit, we offer a compromise of our own that we believe will resolve outstanding issues and allow the legislature to finish work on the budget.

Specifically, we offer the following proposal:

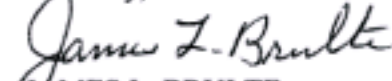
First, eliminate the vacant positions and use the on-going savings of \$570 million to eliminate the quarter-cent tax increase.

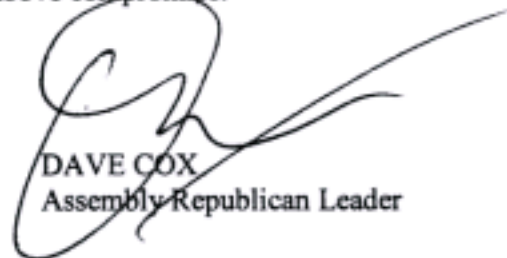
Second, while we remain adamantly opposed to shifting transportation funds, we offer a compromise. We will agree to this two-year shift if you agree to place a constitutional amendment on the ballot that would permanently dedicate the gasoline sales tax revenue to transportation projects.

Third, dedicate \$400 million of the proposed Proposition 98 over-appropriation to education equalization. In the current and budget years, the state will have over-funded the Proposition 98 guarantee by \$5.8 billion. If educational equity is a priority – and we believe it is – we should be able to dedicate a mere seven percent of this over-appropriation to address this issue.

Legislative Republicans remain committed to crafting a balanced budget that contains no tax increases and a prudent reserve. Like you, we have clear beliefs as to how government should be run and funded. Like you, we also recognize that good governance requires effective compromise. It is in this spirit that we offer the above compromise.

Sincerely,


JAMES L. BRULTE
Senate Republican Leader


DAVE COX
Assembly Republican Leader